CONNECTICUT PHARMACISTS ASSOCIATION

**Testimony before Appropriations Committee**
**February 16, 2017**

Good Afternoon Senator Formica, Senator Osten Representative Walker and members of the Committee. My name is Margherita Giuliano. I am a pharmacist and Executive Vice President of the Connecticut Pharmacists Association, a professional organization representing close to 1,000 pharmacists in the state, and I submitting testimony concerning the **Governor's 2018-2019 budget recommendations**.

The Governor's budget as it impacts pharmacy has a few components that I would like to address today because I think it is important for everyone to understand how it works. First, Section 13 gives DSS and OPM the authority to set pharmacy reimbursement rates as of April 1, 2017.

As part of the Affordable Care Act, CMS charged state Medicaid Departments to change the way they reimburse pharmacies, primarily hoping to achieve a more accurate reimbursement of the cost of the drug.

This new reimbursement methodology is based on National Average Drug Acquisition Cost (NADAC).

Remembering pharmacies are for profit businesses, under the old method, pharmacies could benefit from the cost of product. By moving to NADAC, pharmacies now only minimally receive profit off the most expensive inventory in their store.

This forces the state into paying pharmacies more accurately for all costs that go into the dispensing of a product. Vials, labels, computer software systems, salaries, utilities, cost of managing inventory, etc., all cost money and are part of the overhead that must be calculated to determine "true cost of dispensing."

Late last year, the State partnered with other New England states to hire a consulting firm to determine the **actual cost of dispensing** in all the states including Connecticut. We can tell you an independent study done in 2007 by Grant Thornton reported that the actual cost of dispensing for a Medicaid patient in the State of Connecticut was $12.34 at that time.

We also know that the state pays pharmacies that are participating in the 340b program a higher dispensing fee because the pharmacies report the actual acquisition price of the drug and don't make any money from the drug product. The state established an enhanced dispensing fee of $13.00 for these pharmacies back in 2008 to ensure that the pharmacies remained viable.

A this point in time, we have no idea what the results of the latest cost of dispensing survey are since we have not yet met with DSS. Our concern is what their overall approach to this new dispensing fee may be – for example, will they be considering an average of the 6 states for the new figure, or some other calculation as to what they determine what an accurate dispensing fee is. We don't necessarily believe it should be solely their responsibility to define this without input from Committees of cognizance, namely Appropriations and Human Services.

Also, important to note when looking across the country to other states that are ahead of us in implementing these changes is that some have chosen to differentiate a dispensing fee to a two tier level of reimbursement. We point this out just to emphasize that we want to be assured that all potential proposals and options are being considered and that we will have a voice in the final decision.

CMS has already told the State that they must give a fair reimbursement – which should be based on the survey results. Connecticut has one of the highest cost of living indexes so it is also critically important that we do not compare ourselves to dissimilar states like New Hampshire or Alabama.

Our Association has always tried to work collaboratively with DSS, the legislature and the Administration to provide innovative ideas to address budget issues. We only ask that all parties continue to work with us to

implement some ideas that will create the savings the state is looking for without devastating the pharmacy business and access to care.

As a member of the Governor's Healthcare Cabinet, I also wanted to share another observation with the Appropriations Committee members. I recently had the opportunity to listen to a presentation that discussed drug prices by the DSS.

I think it would be very interesting if the Appropriations Committee understood what the state actually pays for Medicaid prescription drugs. When you look at the federal match that the state receives - which is anywhere from 50-95 cents on every dollar spent based on prescription claims submitted - and the fact that the state has received more than $750 million in supplemental rebates, one has to wonder what the actual cost of these prescription drugs to the State of Connecticut is.

I would also like you to consider the bigger picture of healthcare costs and patient care. When we engage pharmacists in a clinical role to do comprehensive medication management, it has been shown to better manage drug costs and reduce overall healthcare costs. Between Adverse Drug Events (ADEs) and the current opioid public health crisis, it is extremely important to engage pharmacists to be part of the solution.

I will end my testimony with a challenge to all of you. While we understand that the state cannot turn its back on rebate arrangements that generate over $750 million annually, I propose that we take 30% of this rebate money received and put it toward developing a sustainable model for credentialed pharmacists to provide comprehensive medication management in a defined patient population and really make a difference in our healthcare budget.